# THE FAROE ISLANDS: A BRIEF INTRODUCTION

### Geography

The Faroe Islands are situated in the North Atlantic 430 km southeast of Iceland, 600 km west of Norway and a good 300 km northwest of Scotland. The Faroe Islands are in the same time zone as Britain. The distance to Copenhagen, the capital of Denmark, with which the Faroe Islands have constitutional links, is about 1,300 km.

The Faroes consist of 18 islands, of which 17 are inhabited. The total area is 1,399 sq.km and the largest island is Streymoy (373,5 sq.km) with the capital, Tórshavn. The distance north-south is 113 km and east-west 75 km. The land averages 300 m above sea level. The highest point is 882 m.

The Islands are of volcanic origin and part of the North Atlantic basalt region stretching from Ireland to Greenland. The Ice Age glaciers formed an archipelago of mountains, deep valleys and narrow fiords and straits. The basalt covers older geological strata which may contain oil and gas.

The climate is typical oceanic: humid, changeable and windy. In Tórshavn the temperature in the coldest month averages 3° C and in the warmest 11° C. The shortest day is 5 hours and the longest 19 1/2 hours.

There are no woods, but plenty of grass. A mere 6% of the land is under cultivation while the rest is reserved for the grazing of 70,000 sheep and some cattle and horses. Birds are plentiful, especially sea-birds, but other animal life is sparse. The sea around the Faroe Islands is influenced by the meeting of the warm Gulf Stream and cold northern currents rich in nutritional matter. This guarantees rather stable ocean temperatures, between 5° and 10° C, favouring fish and animal life.

The South-Eastern corner of the island of Vágar, seen from the main island of Streymoy, across Vestmannasund.
Photo: Á. Poulsen

### Population

The population on 1 January 1995 was 43.700. After a tenfold increase in the preceding 2 centuries, the population attained its maximum so far in 1989 with 47.800, but has since then been decreasing. The birth rate remains high by European standards, 1.5% in 1994. With a mortality rate of 0.8% the natural increase in population is 0.7%. A modest net emigration of earlier decades was replaced by a certain net immigration in the 1970'ies and 1980'ies. But since 1989 The Faroes have experienced a massive emigration, in 1994 corresponding to 4.4% of the population, resulting in a population decline of 3.7%. The total decline in population 1990-94 is 8.7%.

The Faroese pattern of settlement is characterised by a large number of densely populated communities differing greatly in size. There are about 100 villages and towns, of which the largest is Tórshavn with its 15,000 inhabitants including the suburbs. Second largest is Klaksvík with 4,600 inhabitants.

## History

The Faroese descend from Norwegian settlers who c 800 replaced an Irish settlement. They established an assembly called the Althing (now Løgting). After the introduction of Christianity in the year 1000, the Faroe Islands in 1035 passed under the Crown of Norway which 1380 came into a personal union with Denmark. In the middle ages, the centre of power as well as of learning was the bishopric at Kirkjubøur. The Church accumulated great wealth and owned appr. half of all land, which was confiscated by the Crown when the Lutheran faith was introduced by the Reformation (c1540), which also led to the abolition of the bishopric and the priest school, and the introduction of Danish as the language of the Church.

After the introduction of absolute monarchy in Denmark in 1660 the Faroe Islands became more and more governed from Copenhagen. The external trade of the Faroe Islands was monopolised under the Crown.

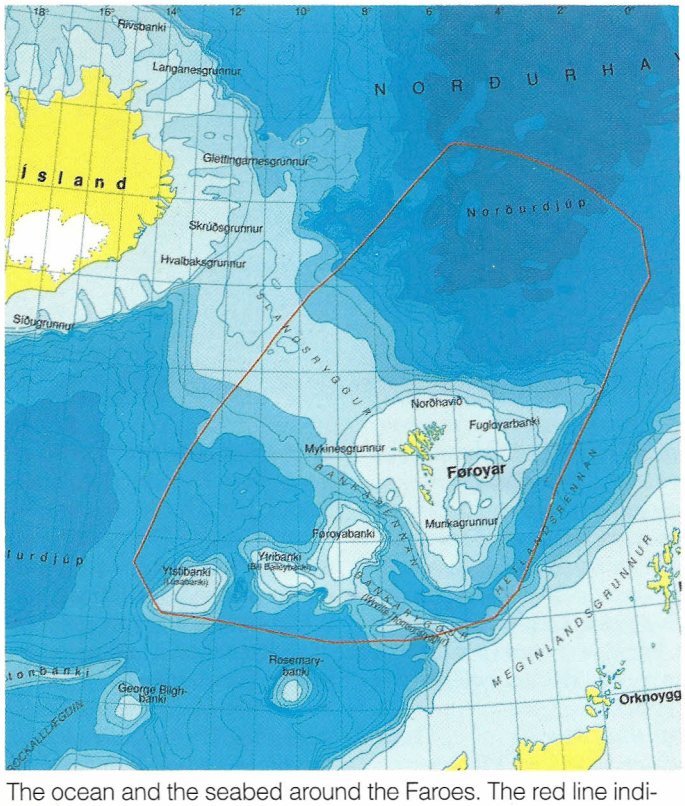
When the union between Denmark and Norway was dissolved in 1814, the Faroe Islands, together with Iceland and Greenland, remained under the Danish Crown. In 1816 the Løgting was abolished but was reestablished in 1852 as a county council with advisory powers after the Danish Constitution of 1849 had taken effect in the Faroe Islands.

In 1856 the Royal Trade Monopoly was abolished and the Faroese experienced a period of significant expansion and transformation from a medieval subsistence type agricultural society into a modern society based upon export-orientated commercial fishery.

The end of the 19th century saw the emergence of a Faroese national movement that sought to protect Faroese language and culture against a growing Danish influence. This national awakening led to the founding of two political parties in 1906: *Sjálvstýrisflokkurin*, which demanded a greater Faroese role in domestic affairs, and *Sambandsflokkurin* which preferred status quo. In 1940 Denmark was occupied by Germany, and British forces landed on the Faroes. The islands were cut off from Denmark, and became virtually self-governing in domestic matters. The Faroese flag was recognised by the allies. When the war ended in 1945, a return to county status was ruled out. Following protracted negotiations, which led i.a. to a referendum in the islands in 1946 and a subsequent election to the Løgting, agreement was finally reached on the home rule system of 1948, which defines the Faroe Islands as a "self-governing community within the Kingdom of Denmark".

The village of Funningur on the island of Eysturoy, one of the oldest villages of the Faroes, with a typical traditional Faroese village church, during haymaking time. Note the special hay drying racks, and the salmon pens in the fiord. In the background the west coast of Kallsoy. Photo: Faroese Tourist Board

Tórshavn, the capital, seen from the mountain of Kirkjubøreyn. In the background the island of Eysturoy.




The ocean and the seabed around the Faroes. The red line indicates the 200 nm fisheries limit, reaching out to 200 nm in the North-east and South-west, with median line boundaries towards Norway, Iceland and Great Britain. *From Atlas published by Føroya Skúlabókagrunnur.*

## Home Rule

Since 1948 the Faroe Islands have had a special status within the Kingdom of Denmark: home rule. The idea of home rule is to establish a balance between the desire, on the one hand, to emphasise the national uniqueness of the Faroe Islands and, on the other, to maintain the union between the Faroe Islands and Denmark.

The Faroese Home Rule authorities have the legal and administrative competence in those areas which have been taken over as separate Faroese affairs. The Faroe Islands have their own flag, bank notes and stamps and also a special passport. Faroese is recognised as the official language, but Danish may also be used in all official connections and shall be taught in the schools. The areas that have been completely taken over by the Faroese include communications, culture and industry. Education, health and social services are joint affairs for which the Home Government has assumed the administrative responsibility. Under the Home Rule Act the areas of justice, monetary affairs, defence and foreign relations cannot be taken over. Management of mineral resources was taken over as a home rule matter in 1992.

Danish legislation takes effect in the Faroe Islands only after having been submitted to the Home Rule Authorities.

The penal code and civil law, including personal, family and inheritance law, company law, banking and insurance legislation, etc., are covered by Danish legislation. As such Danish legislation does not enter into force in the Faroe Islands before the Faroese authorities have expressed their consent, the rules applicable in the Faroe Islands are not always identical to those in force in Denmark.

Areas which have been taken over as separate affairs are fully

financed by the Faroes themselves. The Home Government budget for 1995 amounted to about 2.8 billion (milliard) dkk. and the budget for all Faroese municipalities totalled 0.6 billion dkk.
The Danish Government covers expenditure for pure state affairs, such as the police and courts. Expenditure for joint affairs are divided between Danish and Faroese authorities. Most of the Danish state payment is disbursed as an annual block grant to the Faroese authorities. The budgeted block grant for 1995 was 0.8 billion dkk. (included in the budgeted revenue of 2.6 billion dkk.).
The main source of revenue for the home government is VAT and income tax, for the municipalities income tax. There are no taxes on property. The islands pay no taxes to the Danish treasury. The Danish Government expenditure in the Faroe Islands, about 1.2 billion dkk. in 1995, accounting for about a third of the total public expenditure, may therefore be viewed as an overall subsidy to the Faroese economy, corresponding to apr. 22% of the Faroese national income.

### *Public institutions*

In the Faroe Islands one will find both Home Government, municipal and Danish State authorities.
The Løgting (Parliament) has the legislative power in separate Faroese affairs and appoints the Landsstýri (Home Government) which administers both the separate affairs and those joint affairs the administration of which has been taken over by agreement with the Danish Government. The Løgting has 27 members chosen in 7 constituencies plus up to 5 supplementary seats with a view to ensuring proportional representation so that the total number may vary from 27 to 32.
The Landsstýri, or Home Government, has 3-7 members headed by the Løgmaður. Under the Home Government is a small central administration and a number of departments, directorates, councils and boards besides several institutions.
The Rigsombudsmand or High Commissioner is the highest representative of the Danish State in the Faroe Islands. He has a right to appear in the Løgting and to speak on joint affairs.

The ruin of St. Magnus Cathedral in Kirkjubø, the religious and political centre of the Faroe Islands during the Middle Ages. Photo: Á. Poulsen

The headland Tinganes, dividing Tórshavn harbour into a western and an eastern bay. Site of the ancient Althing, later Løgting. Later site of the Royal Trade Monopoly. Since 1948 site of the Faroese Government, the Landsstýri. Photo: Kaj Egholm

Festivities in front of the Building of the Løgting during the National Holiday, "Ólavsøka", (St. Olaf's Day - 29 July), when the Parliament inaugurates its annual session.

Elections to the Løgting are held every four years. These were the results of the election to the Løgting in July 1994:

| | |
|---|---|
| People's Party | 6 |
| Unionist Party | 8 |
| Social Democrats | 5 |
| Home Rule Party | 2 |
| Republicans | 4 |
| Christian People's Party | 2 |
| Center Party | 2 |
| Labour Movement | 3 |
| Total | 32 |

The Danish judicial system is represented by a judge and a chief constable. The Danish defence has a naval station and runs a radar station for NATO.
The local communities enjoy a high degree of autonomy. The 50 local authorities cooperate in a great many areas, such as education and health services.

### *Politics*

The Faroese party system is traditionally regarded as two-dimensional. Besides the usual dividing line between Right and Left there is also a line dividing the parties on the basis of their attitude towards Faroese self-government. The parties represented in the Løgting are distributed in the political spectrum in a very complicated pattern, making it difficult to form the coalitions necessary to back up a majority government.
The Home Government is currently (summer 1995) made up of representatives from the Unionist Party, the Social Democratic Party, the Home Rule Party and the Labour Movement, headed by Edmund Joensen from the Unionist Party. The Faroe Islands elect two representatives to the Danish parliament, the Folketing.

### *Language and Culture*

The Faroese language is a Nordic language, closely related to Icelandic and to the dialects of Western Norway. After the reformation (c. 1540) Danish became the written language for official purposes, and Faroese went out of use in its written form, but was retained as a spoken language and as a carrier of a rich "oral literature" in the form of stories and mainly ballads, which were sung with the traditional Faroese ring-dance.
In the middle of the 19th century a new Faroese written language was created on an etymological basis. After decades of political strife the Faroese language was permitted as the language of instruction in the schools (1937) and as legal language (1948). In 1993 104 books were published in Faroese, of which 57 originally Faroese and 47 translations. 6 newspapers are published, appearing from 1 to 5 times a week.
The Faroese Broadcast (founded 1957) uses Faroese only. In the Faroese Television (established 1984) only part of the material is in Faroese.
There is a rich theatrical and musical life based upon amateur interest, however supported by an increasing number of professional instructors.
A number of records, tapes and c.d.'s with Faroese music have appeared.
The visual arts have a strong position.In Tórshavn the Museum of Art (Listaskálin) has a perma-

nent collection of Faroese art. Many towns and villages have "community houses" as centres for artistic, cultural and civic activities.
The most popular sport is football. The Faroese national team have since 1990 participated in international tournaments such as the qualification rounds for the European and the World Championship. A special Faroese sport is competition rowing with boats of the traditional Faroese type.

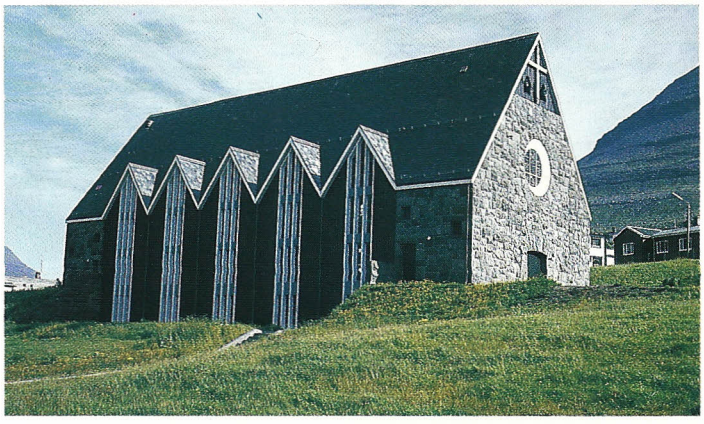
### Religion

Religion plays a great role in the life of the Faroese. 80-90 % belong to the official lutheran church. There are religious activities by laymen's organisations both within and outside of the established church. The largest free church is the Plymouth Brethren (apr. 10 % of the population). Among other religious denominations are the pentecostalists and the Roman catholics.

### Foreign relations

According to the Home Rule Act, foreign relations are the responsibility of the Danish authorities but the Faroese authorities are guaranteed the right to play a role in external affairs of special concern to the Faroe Islands. An adviser on Faroese affairs may be appointed to the Foreign Ministry and the Home Government may post attachés at Danish embassies. The Home Government may take part in negotiations on matters of interest to the Faroe Islands and may also be authorised to negotiate on their own with the assistance of the Foreign Ministry.
As regards Denmark's foreign treaty obligations, the Faroe Islands are comprised by Denmark's UN and NATO memberships, but in the economic field, especially as it touches upon separate affairs, the Faroe Islands often have not been automatically included. Denmark's membership of GATT from 1950 was extended to the Faroe Islands only in 1954 and Denmark's membership of EFTA (European Free Trade Association) 1959-72 covered the Faroes only from 1967.
When Denmark in 1973 joined the European Economic Community, EEC, now the European Union, EU, the Faroe Islands had the choice to remain outside. Like other peripheral

The Nordic House, built in 1983, and run by the Nordic Council of Ministers, has great importance as framework for concerts, theatrical performances, exhibitions and conferences. Photo: Á. Poulsen



The Christian's Church in the town of Klaksvík. A modern edifice, inspired by ancient Faroese building custom. *Photo: J. Thomsen*

fisheries dependent communities bordering upon the North Atlantic, the Faroese have not so far found it to be compatible with their vital interests to become subject to the Common Fisheries Policy.
In 1992, an interim EEC trade arrangement dating back to 1974 was replaced by a formal agreement on trade between the Faroe Islands and the EEC. It is a mutual free trade agreement of the type made by the EEC and the EFTA countries in the 1970'ies. However, for fish products, the main Faroese export article, there are several restrictions on the quantities of Faroese goods which may enter the EEC free of duty. Furthermore, the rules of origin, defining the goods which may benefit from duty free access, are much stricter for fish products than for most other goods, further reducing the value of the agreement for the Faroese. However, the agreement's development clauses may allow for improved access to the EU for Faroese fish products in response to increasing needs.
In 1992-93, agreements were concluded with the EFTA member countries, allowing the Faroese to participate in the practically completely free trade in fish and fish products established by the EFTA. In 1995 three of the EFTA countries: Sweden, Finland and Austria, joined the EU, which necessitates consequential changes in the trade agreement with the EEC (EU).
In the area of fishing, extension of the fishing limits in the North Atlantic to 200 miles in 1977 resulted in large maritime areas being placed under the management of the Faroese Home Rule authorities. This fact led to an increased Faroese involvement in international fisheries affairs.
In international fisheries organisations embracing the North Atlantic, where Metropolitan Denmark is represented by the EU, the Kingdom of Denmark maintains a separate membership in respect of Faroe Islands (and, since 1986, also of Greenland).
As a rule, bilateral agreements concerning Faroese fishing rights inside the fishing zones of other nations and/or access of fishing vessels to the Faroese zone have been concluded by "the Danish Government together with the Faroese Home Government" while in practice the annual quotas fixed under these agreements are negotiated by the Home Government itself.
In accordance with an understanding between the Faroese and the Danish authorities the Home Government concludes its own fishing treaties with the other Nordic countries.

### Economy

The economy of the Faroe Islands is overwhelmingly dependent upon fisheries. Fishing, fish farming and fish processing account for a quarter of the gross factor income and almost 100% of exports. Other industries are to a great extent suppliers to the fishing industry. The remaining industries are, like the public sector, highly dependent on proceeds derived from the fishing industry. The Faroese economy is vulnerable to fluctuations in the size of the fish catch, fish prices, exchange rates and the prices of vital import products, for instance oil.

### The Economic Crisis and its Background

Around 1960, following a severe economic depression in the early 1950'ies, the Faroese economy embarked upon a period of three decades of almost unbroken progress. The growth was spurred by a modernisation of the Faroese fishing fleet which expanded its activities all over the North Atlantic. Another source of growth was the expansion of the public sector, partly financed by Denmark which extended its welfare system and regional development measures to the Faroes. In 1977 the extension of fisheries limits to 200 miles stimulated Faroese catches in home waters and the shore based fish processing industry. The other side of the coin, however, was loss of access to rich, distant fishing grounds, barring further expansion of Faroese fish catches. The transitional problems of the fisheries sector were eased by means of Faroese government subsidies which soon became permanent. This contributed in turn to an increasing and excessive fishing pressure on the limited fish stocks around the Faroes.
In the 1980'ies, when several other countries suffered economic setbacks, the economy of the Faroes seemed to prosper. Fishing was good, fish prices relatively high, and the Faroese

were in the midst of a considerable private and public investment program, in fishing vessels, freighters, fish processing plants, office and industrial buildings, roads, harbours, tunnels, public service buildings etc., to a large extent financed by external borrowing. Buildings were financed through Danish mortgage institutions, and both the private and the public sector had good access to the international financial market. The net external debt of the Faroese society rose to more than 1,5 times the annual GDP, mostly owed by the private sector, however part of it backed by Faroese government guarantees. As the imported money went through the local banking system it caused a galloping domestic credit expansion. In the latter half of the eighties a "financial bubble" developed in the Faroes, as in several other countries around the globe. However, in the fragile Faroese economy, both the boom and the following slump had a relatively greater impact than elsewhere.

In the Faroes - like in so many other countries - the authorities were slow to react. In 1989 austerity measures were introduced and the business cycle damped down. At the same time fish catches in Faroese waters declined drastically, partly due to overfishing, partly to changes in oceanic conditions. When in 1992 fish prices fell, the Faroese economy went from stagnation into a deep plunge, with a drop in GDP of apr. 30 % over 4 years, an unemployment rate rising to above 20 % and a rate of emigration unprecedented in peace-time, reaching 4,4 % in 1994.

## The Bank Crisis

In October 1992, the economic crisis became evident, as one of the two leading commercial banks in the Faroes, the Sjóvinnubankin, was considered insolvent by the Danish Bank Inspection, and was bailed out by the Faroese Government.

The bank was supplied with new capital through a "Financial Fund" into which the Faroese government put money borrowed from the Danish state, which also appointed the majority of its board. This fund became the most powerful agent in the Faroese economic system.

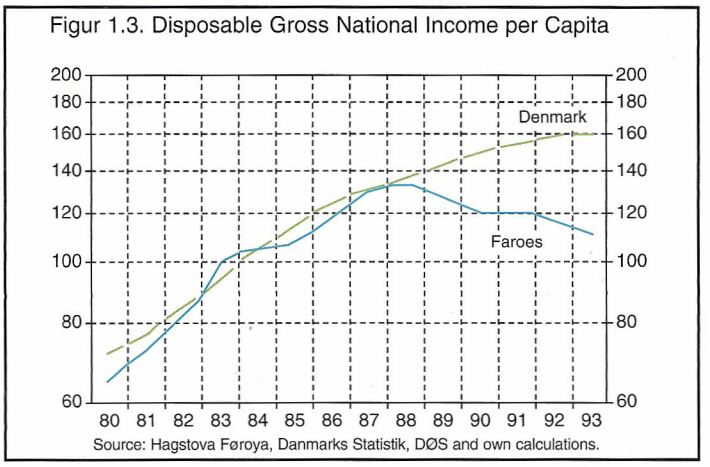
In 1993 the other leading commercial bank, Føroya Banki had to be bailed out, and the two rescued banks were amalgamated. A third, smaller bank was allowed to go bankrupt. As the tax base of the Faroese Government deteriorated, the Danish government undertook to lend it the cash necessary to redeem its debts to international banks as they fell due. This and other loans from the Danish state to the Faroese Home Government, carry normal Danish domestic government bond interest.

Most of the Faroese fish processing industry was reconstructed and taken over by a holding company, with the "Financial Fund" as the main agent. The new company closed down the majority of the factories, leaving a number of towns and villages with seriously reduced employment opportunities.

## Political Consequences of the Crisis

As a condition for credit support from the Danish state the Faroese authorities had to accept a number of policy restrictions. In 1992 the two governments called in a team from the International Monetary Fund to report on the Faroese economy and to recommend a reconstruction plan which the Faroe-

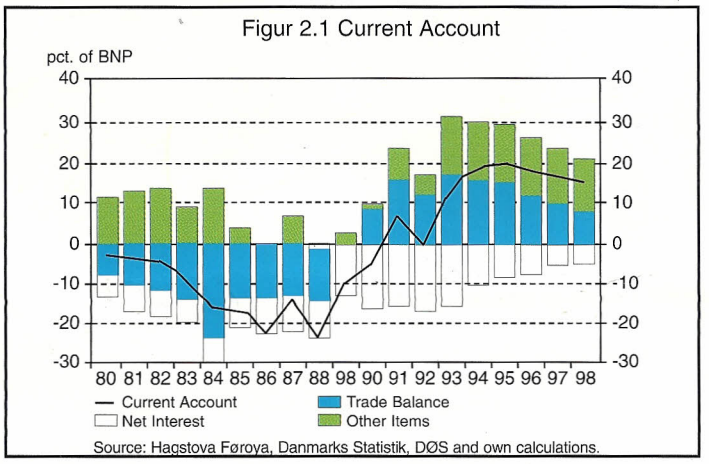
## National income per Capita in the Faroe Islands, compared with Denmark, 1980-93.




The curves depict the disposable national income, i. e. including transfers from Denmark to the Faroe Islands.

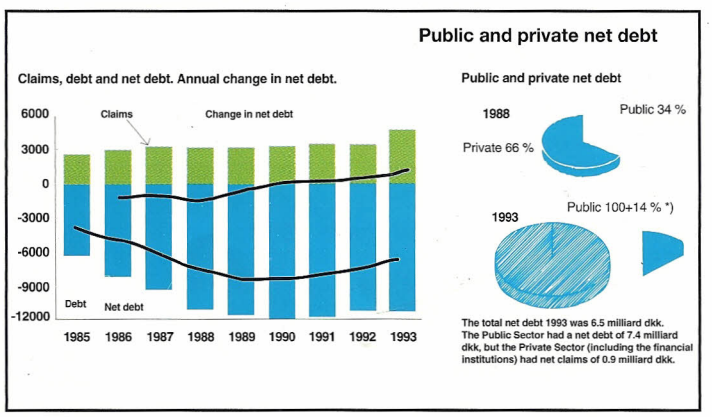
Source: Report from the Commission concerning reconstruction of the Faroese Economy. 1993 (Based upon material from Hagstova Føroya, Regeringens Rådgivende Udvalg vedr. Færøerne a. o.)

## The Balance of Payments of the Faroes 1980-93, and forecasts for 1994-98




The Figure illustrates characteristic traits relating to the boom of the 1980'ies and the subsequent crisis: In the 80'ies large annual deficits on the balance of trade and current account, which since 1989 have turned into surplus. *Sources: Same as above*

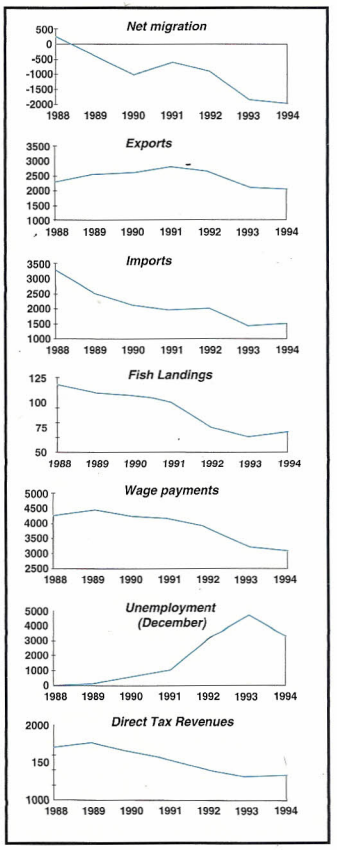
## Net Faroese External Debt 1985-93




The total net debt 1993 was 6.5 milliard dkk. The Public Sector had a net debt of 7.4 milliard dkk, but the Private Sector (including the financial institutions) had net claims of 0,9 milliard dkk.The "layer cakes": Since 1988 the total net debt has been declining while the public sector's debt has been increasing, i. a. as a consequence of public guarantees for private borrowings have become effective, and due to the borrowings by the Home Government in order to bail out the private banks.

Source: Hagtíðindi

## Developments of the Faroese Economy since 1990.



se authorities were to comply with. The IMF report has been succeeded by a number of other expert reports. A prime condition has been a reduction of the budget deficit, obtained partly through higher taxation, partly through spending cuts. Also a strict system of total allowable catches (TAC) and catch quotas for fishing in Faroese waters, have been introduced. So far, however, the measures taken have not been seen to improve the situation of ordinary Faroese people. Many have lost their jobs, and unemployment compensations are low. The tax burden has risen, contributing, like unemployment, to emigration.

The crisis and the unpopular political measures in its wake caused upheaval in the Faroese political system. In the July 1994 Løgting election, 14 of the 32 elected were new in parliament. Not less than 8 parties and movements were represented. Realising that the economic crisis of the 1990'ies to a large extent was caused by mistaken government policies in the 1980'ies, the Faroese have decided to change their internal constitution, introducing a more clearcut distinction between legislation and administration and strengthening political accountability.

The crisis has also strained the relations between the Faroese and the Danish political systems as Faroese politicians see their powers, enjoyed during more than 40 years of home rule, eroded by the new powers of the Danish Government in its capacity of chief creditor. These developments have led to renewed debate about the merits and demerits of the home rule system.

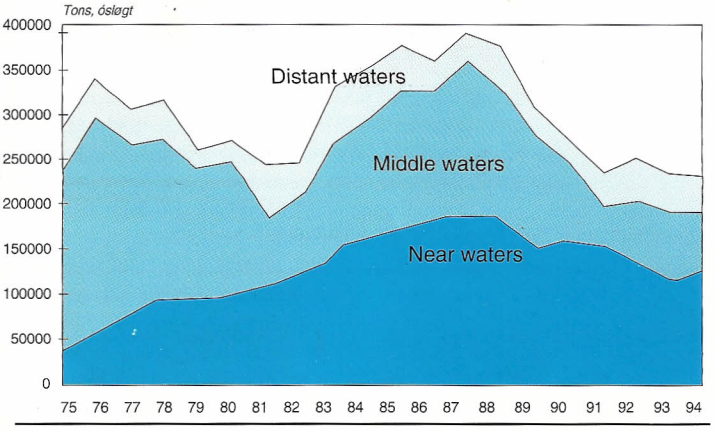
### *Fishing and fish farming*

The fishing fleet consists of about 200 vessels above 20 GRT with a total tonnage of 50,000 GRT ranging from small, simple wooden coastal vessels to the most sophisticated ocean-going factory trawlers. There are also about 1.000 smaller craft. Appr. half of a total catch in 1994 of 225,000 tons came from the Faroese fishing zone, which is about 300,000 sq.km. The main commercial species of fish caught in Faroese waters are cod, haddock, coalfish, blue whiting, redfish, tusk, ling, blue ling, greenland halibut, mackerel and herring. Most of the

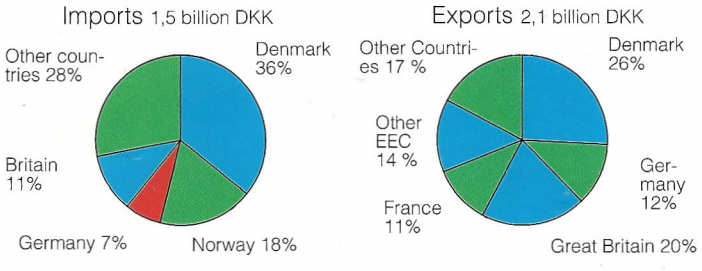
One of the big, technically advanced, trawlers acquired in the 1980'ies.

The most common workplace for Faroese women is the filleting plants. Here at Runavík. *Photo: Dana Press*

***Total catches distributed between near-, middle- and distant waters.*** ***Source: Hagtíðindi (The Faroese Statistical Bulletin)***




### *Composition of External Trade 1994*




The Faroe Islands are very dependent upon trade with the outside world. They export fish and import nearly all other goods needed, including foodstuffs. The distribution of imports and exports between countries is depicted above. Source: Hagtfðindi

catches are landed in the Faroe Islands. In distant waters (Barents Sea, Svalbard, Canada, Greenland) the main species are cod and shrimp, which are processed on board, and capelin, which is brought ashore for processing. In the North Sea and west of Britain the main species are blue whiting, mackerel, herring, Norway pout and sandeel, which are landed in the Faroe Islands or in Denmark. In Icelandic waters various demersal species are caught and landed in Faroe.

The catches brought ashore in the Faroe Islands are either exported fresh or processed into fresh or frozen fillets and salt fish in factories scattered throughout the country. Norway pout, sandeel, blue whiting, capelin, and to some extent mackerel and herring are processed into fish meal and oil, or feed for the fish farms. The principal export markets are Denmark (shrimp, salmon, mackerel etc.), the U.S.A. (frozen fillets), Great Britain, Germany, France (fillets, salmon and shrimp), the Mediterranean countries (salt fish), and Japan (shrimps).

The fish farming industry takes advantage of the clean and cool oceanic waters surrounding the islands. In 1993 the total production of salmon and trout for export amounted to about 16,000 tons.

### *Agriculture*

Until the middle of the 19th century agriculture was the main occupation in the Faroe Islands. Today it supplies the country with barely half the total consumption of lamb and mutton, most of the milk for direct consumption, a fraction of the consumption of beef and eggs, and half the consumption of potatoes. About 50% of the land is owned by a land foundation under the Løgting and run commercially by hereditary copyholders. The rest of the land is distributed into small private lots that supply the owners with agricultural produce for their own use.

### *Industry and trade*

Besides the fishing industry there are shipyards and other trades that supply the fishing industry. Faroese manufacturing has specialised in producing machinery and equipment designed for fishing, fish farming and

fish processing. Computer systems developed for the monitoring of fish processing are exported. The Faroese are interested in exporting their know-how concerning fishing and fish processing by offering consultancy services as well as through participation in joint ventures in foreign countries.

### Oil

As soon as they had taken over the legal and administrative competence concerning mineral resources in 1992, the Faroese authorities set up a Hydrocarbon Planning Commission, which made its first report in June 1993. In the autumn of 1993, the Faroese Parliament decided in principle that preparations should be made for oil exploration, and passed legislation providing the legal basis for permitting preliminary surveys. A Petroleum Administration was established.
In 1994 permits were issued for seismic surveys of parts of the continental shelf around the Faroe Islands. When the results of these and of other preliminary surveys, have been evaluated, probably in late 1996, the Faroese authorities intend to have the necessary legislation ready for embarking upon a first round of issuing licences for commercial oil and gas exploration. The interest of the international oil companies in exploring the Faroese area has been stimulated by significant oil finds on the British side of the median line between the Faroe Islands and Britain. However, there are also problems to overcome: the thick layers of basalt covering most of the shelf around the islands make exploration difficult, the waters are deep, the climatic conditions rough, and last, but not least, the course of the shelf boundary between Faroe and Britain has not yet (summer 1995) been agreed upon.
The Faroe Islands possess a good infrastructure of relevance to offshore operations, and many Faroese are skilled in the maritime field. Therefore, the Faroese see certain business opportunities in a possible oil exploration phase on the Faroese shelf. If hydrocarbon exploration eventually leads to commercial oil or gas production, it may fundamentally strengthen the Faroese economy and affect many aspects of Faroese society.

Harbour scene from the small fishing port, Eiði, Eysturoy, with fishing vessels. At the quayside the filleting plant, on the hill the local hotel. Photo: J. A. Arge

The preliminary hydrocarbon surveys in 1994 comprised mainly seismic data acquisition at sea, but also investigations based in the stratigraphic borehole made in 1981 in Lopra, Suðuroy, depicted above. *Photo: L. Kiørboe*

### Education

The Faroese education system is based on a compulsory primary school with 7 grades (from ages 7 to 14) and the option of an 8th, 9th and 10th grade plus a gymnasium (senior school). There are technical schools and schools of commerce. There is a teachers' training college, a school of nursing as well as a navigation and engineering school. There is also a folk high school. University-level research and teaching are carried out at the University of the Faroe Islands. Basic courses at university level are available in the Faroese and other Nordic languages, natural sciences, mathematics and physics, history and theology. Bachelor degrees can be obtained in some subjects. More advanced university studies must be pursued outside the islands. It is customary to go to Denmark for higher studies.

### Living Standards

Public health is good and average life expectancy (men: 72,8 years, women: 79,6 years) is comparable to that of the other Nordic countries. There is a central hospital in Tórshavn besides two smaller hospitals. More complicated cases are treated in Denmark. Social legislation is generally based on the Danish model.
In recent years wages have become lower, and unemployment has become significantly higher compared with Denmark. Due to freight costs, small units, and high indirect taxation, prices are generally higher in the Faroes, apart from books which are free of VAT, and agricultural produce, which can be bought at world market prices due to the status of the Faroe Islands outside of the Common Agricultural Policy of the EU.
Nevertheless most people in the Faroese towns and villages live in fairly good and spacious, brightly painted, centrally heated houses, with most of the gadgets or conveniences considered necessary to-day, including TV and video, and drive a car.
In the Faroe Islands, notably fishermen are used to having an income which fluctuates in keeping with fish catches and prices. There is also a strong tradition for labour mobility, both geographically and between occupations. In recent years with increasing unemployment many Faroese have gone abroad to work, notably on foreign fishing vessels and in construction.

### Taxes and duties

The main source of revenue for the Faroese Government, and notably for the municipalities, is income tax. The other big source of revenue for the Faroese treasury is VAT and excise duties. The VAT of 25% is imposed on practically all goods and services. Spirits, tobacco, cars and petrol are heavily taxed.
In the Faroe Islands no tax is paid on private capital or real estate.

### Money, credit and insurance

The Faroe Islands are part of the Danish currency area and subject to Danish currency legislation. The Faroese bank notes are issued by the National Bank of Denmark. Danish coins are used. There is one private bank and three saving banks, which are subject to Danish legislation and bank inspection. Special Faroese Covernment credit institutions serve the business community but business investments may also be financed by Danish credit institutions.

### Infrastructure

The geography and topography of the Faroe Islands make transport and communication difficult. The Faroese have spent huge sums on the traffic and communications system. A road net consisting mainly of two-laned asphalt roads has been built and tunnels have been bored through the mountains. The two biggest islands are linked by an elevated bridge and three other islands by causeways. Commercial and fishing harbours have been constructed.
There are ferry services to all islands. The most remote or inaccessible islands and villages are served by helicopters. All year round daily air services and weekly cargo vessel services connect the Faroes with Denmark and other countries. In summer there are car ferry services to Denmark, Norway and Iceland and throughout the year to Scotland.
All Faroese towns and villages have electricity, of which two-thirds is produced in thermal

plants (oil) and one-third in hydroelectric plants. The telephone service is highly developed and everywhere in the Faroes it is possible to dial abroad directly. Telex, telefax and mobile telephone are also available. The Faroes are linked up with a transatlantic optic fibre cable. Postal services are maintained by Postverk Føroya, whose stamps are collector's items.

### *The pilot whale catch*

The pilot whale is a small whale found in large schools in the North Atlantic, the Mediterranean and the Pacific Ocean. The Faroese pilot whale catch is a traditional, communal, non-commercial hunt aimed at meeting the community's need for whale meat and blubber.

This is what happens during the capture of the pilot whale: A school of pilot whales, being observed near the coast, is driven into a fiord and beached, preferably on a flat stretch. The whales are killed by a stab in the neck with a special knife. If the beaching is unsuccessful the whale is fastened by a special hook so that it can be killed either from a boat or in shallow water. It all looks quite violent but each animal is dealt with so fast that the pain is brief. The authorities distribute the meat and blubber according to traditional rules, the main rule being equal shares for all the inhabitants of the district.

The pilot whale is not threatened with extinction. As a "small cetacean" the whale is not covered by the regulations of the International Whaling Commission (IWC).

Working jointly with i.a. the IWC, ICES (the International Council for the Exploration of the Sea) and NAMMCO (North Atlantic Marine Mammal Cooperation Organisation), - Faroese and international scientists keep a close watch on the size of the whale population. The scientific Committee of the IWC has estimated that there are appr. 750,000 animals in the Norht East Atlantic. The annual catch corresponds to only a small fraction of the annual natural rate of increase, so there is no doubt that the Faroese pilot whale hunt belongs to the category of substainable use of natural resources. Sometimes the Faroese authorities receive protests, occasionally concluding in threats of a trade boycott, which

Tourists hiking across the mountains of Vágar along a traditional path marked by cairns. Photo: The Faroese Tourist Board

The dead whales are measured and numbered, a step in the process of dividing the catch equitably between the inhabitants of the district. Photo: O. Wich

are often based on exaggerated or misleading descriptions of the whale catch.

It is the position of the Faroese authorities that a sustainable harvest of pilot whales occurring in the waters around the Faroe Islands is a legitimate activity. Endeavours to deprive the Faroese people of their right to harvest this resource is seen to be in violation of the UN Covenants of 1966 on Human Rights. If the scientists so recommend, the authorities will be prepared to limit the catches. Up to now, catches are only limited in order to avoid waste. Whenever the need for whale meat and blubber is considered to be met, a whaling ban is imposed in the district concerned. The Faroese authorities have acknowledged that there is an animal welfare issue regarding the methods of catching the pilot whale. Considerable improvements have in fact been introduced, virtually banning the harpoon and the whale spear and significantly reducing the use of hooks from boats. A veterinarian has been charged with the task of monitoring pilot whale hunts and implementing further improvements in killing methods. The Faroese do not believe that the pilot whale meat on their plate represents more animal suffering caused by humans than a similar amount of imported meat and are therefore not prepared to accept the demands for a ban on a catch which makes a larger contribution to the meat production of the islands than all the sheep and cattle put together and which covers about one quarter of the total meat consumption.

### *Tourism*

The Faroe Islands have no ambition to become a goal of mass tourism. But more and more foreigners would like to visit the islands and the Faroese want them to feel welcome. They have therefore started to expand tourist facilities, a task which is being coordinated by the Faroese Government tourist board. Hotel and youth hostel capacity is being enlarged, package tours arranged, excursions organised and tourist brochures prepared. The possibilities of travelling to the Faroes by boat or plane are now better than ever, including the possibility of combining a stay in the Faroe Islands with a visit to Norway, Scotland or Iceland.

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